

Innovation Fund – transfer of funds

Ofwat has established a £200 million Innovation Fund to help the England and Wales water sector to grow its capacity to innovate and enable it to better meet the evolving needs of customers, society and the environment.

The Fund aims to achieve this by supporting ambitious water company initiatives that demonstrate bold new approaches to innovation, going beyond the sector’s business-as-usual innovation practices, and that can create significant value for customers, society and the environment.

The Fund is expected to run to 2025, but the goal is that its impact will continue well beyond this.

The Innovation Fund is made up of:

- The [Innovation in Water Challenge \(IWC\)](#), which aims to encourage new ways of working and improve collaboration and partnerships from within and outside the water sector. The first round concluded in April 2021.
- The [Water Breakthrough Challenge](#), which will allow water companies the opportunity to put forward bids for larger projects concluded in September 2021.
- [Water Breakthrough Challenge 2](#), which is live until April 2022 and comprises a smaller value competition similar to the IWC called [Catalyst](#) and a larger value competition called [Transform](#).

For more information on the Innovation Fund, please visit the [Water Innovation Challenges website](#).

Innovation in Water Challenge Settlement Agreement

We announced [the winners of the first round of the Innovation in Water Challenge](#) on 21 April 2021.

Payment of funds awarded through the Challenge was settled through the mechanism agreed by the water companies whose customers are funding the Challenge. Funding was awarded in pounds sterling and details of the payments between water companies is set out below.

	Water companies that are receiving the funds →		Affinity Water Limited	Anglian Water Services Limited	Dwr Cymru Cyfyngedig	Hafren Dyfrdwy Cyfyngedig	Northumbria n Water Limited	Severn Trent Water Limited	South East Water Limited	United Utilities Water Limited
Water Company that are paying the funds ↓	Proportion of Company Contribution *	Contribution to the IWC Fund	£ 344,291	£ 186,900	£ 167,416	£ 206,385	£ 475,000	£ 214,901	£ 177,793	£ 388,819
Affinity Water	2.42	£ 52,343	£ 8,337.41	£ 4,526.00	£ 4,054.17	£ 4,997.86	£ 11,502.68	£ 5,204.08	£ 4,305.47	£ 9,415.71
Anglian Water	10.49	£ 226,815	£ 36,127.80	£ 19,612.15	£ 17,567.62	£ 21,656.79	£ 49,843.61	£ 22,550.40	£ 18,656.52	£ 40,800.30
Bristol Water	0.95	£ 20,439	£ 3,255.66	£ 1,767.35	£ 1,583.11	£ 1,951.60	£ 4,491.66	£ 2,032.13	£ 1,681.23	£ 3,676.72
Dwr Cymru	6.18	£ 133,557	£ 21,273.28	£ 11,548.30	£ 10,344.41	£ 12,752.26	£ 29,349.62	£ 13,278.45	£ 10,985.59	£ 24,024.61
Hafren Dyfrdwy	0.23	£ 4,916	£ 783.08	£ 425.10	£ 380.78	£ 469.42	£ 1,080.38	£ 488.79	£ 404.39	£ 884.36
Northumbrian	5.89	£ 127,368	£ 20,287.53	£ 11,013.18	£ 9,865.08	£ 12,161.34	£ 27,989.62	£ 12,663.15	£ 10,476.55	£ 22,911.36
Portsmouth Water	0.32	£ 7,020	£ 1,118.11	£ 606.97	£ 543.69	£ 670.25	£ 1,542.59	£ 697.90	£ 577.39	£ 1,262.71
SES Water	0.49	£ 10,635	£ 1,694.00	£ 919.60	£ 823.73	£ 1,015.47	£ 2,337.13	£ 1,057.37	£ 874.79	£ 1,913.09
Severn Trent Water	14.19	£ 306,740	£ 48,858.52	£ 26,523.08	£ 23,758.09	£ 29,288.21	£ 67,407.51	£ 30,496.72	£ 25,230.70	£ 55,177.51
South East Water	1.98	£ 42,706	£ 6,802.35	£ 3,692.69	£ 3,307.73	£ 4,077.67	£ 9,384.84	£ 4,245.92	£ 3,512.76	£ 7,682.12
South Staffs	1.02	£ 22,079	£ 3,516.87	£ 1,909.15	£ 1,710.12	£ 2,108.18	£ 4,852.03	£ 2,195.17	£ 1,816.12	£ 3,971.71
South West Water	4.41	£ 95,329	£ 15,184.34	£ 8,242.89	£ 7,383.58	£ 9,102.24	£ 20,949.02	£ 9,477.82	£ 7,841.24	£ 17,148.16
Southern Water	6.65	£ 143,716	£ 22,891.54	£ 12,426.78	£ 11,131.31	£ 13,722.32	£ 31,582.24	£ 14,288.54	£ 11,821.27	£ 25,852.16
Thames Water	17.16	£ 371,015	£ 59,096.36	£ 32,080.74	£ 28,736.38	£ 35,425.27	£ 81,532.11	£ 36,887.01	£ 30,517.55	£ 66,739.44
United Utilities	14.69	£ 317,418	£ 50,559.24	£ 27,446.32	£ 24,585.09	£ 30,307.70	£ 69,753.90	£ 31,558.28	£ 26,108.96	£ 57,098.19
Wessex Water	4.13	£ 89,275	£ 14,220.01	£ 7,719.40	£ 6,914.67	£ 8,524.17	£ 19,618.59	£ 8,875.90	£ 7,343.26	£ 16,059.12
Yorkshire Water	8.80	£ 190,133	£ 30,284.89	£ 16,440.30	£ 14,726.42	£ 18,154.26	£ 41,782.46	£ 18,903.35	£ 15,639.22	£ 34,201.71
TOTAL	100.00	£2,161,505	£ 344,291	£ 186,900	£ 167,416	£ 206,385	£ 475,000	£ 214,901	£ 177,793	£ 388,819

* Based on proportion of total sector water and wastewater revenue set at the [2019 price review Final Determinations](#) (shown rounded down to two decimal places for presentation purposes)

Water Breakthrough Challenge Settlement Process

We announced [the winners of the first round of the Water Breakthrough Challenge](#) on 30 September 2021.

Payment of funds awarded through the Challenge will be settled through a centralized payment mechanism managed by MOSL. Funding was awarded in pounds sterling and is drawn down from water companies and then distributed to competition winners as set out below.

Water Company that are paying the funds ↓	Water companies that are receiving the funds →		Affinity Water Limited	Anglian Water Services Limited	Bristol Water plc	Northumbrian Water Limited	Severn Trent Water Limited	Thames Water Utilities Limited	United Utilities Water Limited
	Proportion of Company Contribution*	Contribution to Breakthrough Challenge							
			£2,898,000	£11,305,688	£622,156	£3,784,939	£1,998,000	£6,260,000	£9,232,197
Affinity Water	2.42	£874,227.61	£70,178.47	£273,780.51	£15,066.24	£91,656.74	£48,383.92	£151,593.25	£223,568.49
Anglian Water	10.49	£3,788,217.38	£304,098.50	£1,186,350.17	£65,285.27	£397,168.49	£209,657.97	£656,886.35	£968,770.63
Bristol Water	0.95	£341,375.74	£27,403.88	£106,908.11	£5,883.19	£35,790.89	£18,893.36	£59,195.41	£87,300.90
Dwr Cymru	6.18	£2,230,631.65	£179,063.57	£698,563.46	£38,442.19	£233,866.36	£123,453.77	£386,797.09	£570,445.20
Hafren Dyfrdwy	0.23	£82,110.88	£6,591.44	£25,714.54	£1,415.08	£8,608.76	£4,544.41	£14,238.23	£20,998.43
Northumbrian	5.89	£2,127,269.20	£170,766.17	£666,193.60	£36,660.87	£223,029.52	£117,733.20	£368,873.79	£544,012.06
Portsmouth Water	0.32	£117,240.17	£9,411.43	£36,715.92	£2,020.49	£12,291.82	£6,488.63	£20,329.74	£29,982.13
SES Water	0.49	£177,626.57	£14,258.94	£55,627.04	£3,061.18	£18,622.92	£9,830.70	£30,800.89	£45,424.90
Severn Trent Water	14.19	£5,123,109.46	£411,256.74	£1,604,396.26	£88,290.49	£537,122.73	£283,537.25	£888,359.96	£1,310,146.03
South East Water	1.98	£713,267.57	£57,257.43	£223,372.90	£12,292.29	£74,781.19	£39,475.62	£123,682.38	£182,405.76
South Staffs	1.02	£368,764.47	£29,602.50	£115,485.40	£6,355.20	£38,662.41	£20,409.18	£63,944.68	£94,305.09
South West Water	4.41	£1,592,168.96	£127,811.09	£498,617.09	£27,439.07	£166,927.94	£88,118.21	£276,086.07	£407,169.49
Southern Water	6.65	£2,400,315.68	£192,684.93	£751,703.14	£41,366.49	£251,656.56	£132,844.89	£416,220.73	£613,838.94
Thames Water	17.16	£6,196,608.49	£497,431.69	£1,940,582.28	£106,790.93	£649,671.70	£342,949.80	£1,074,507.37	£1,584,674.72

Innovation in Water Challenge settlement agreement

United Utilities	14.69	£5,301,439.96	£425,572.19	£1,660,243.74	£91,363.80	£555,819.45	£293,406.91	£919,282.92	£1,355,750.95
Wessex Water	4.13	£1,491,053.36	£119,694.05	£466,950.87	£25,696.47	£156,326.67	£82,521.99	£258,552.37	£381,310.93
Yorkshire Water	8.80	£3,175,552.85	£254,916.96	£994,482.97	£54,726.75	£332,934.84	£175,750.20	£550,648.79	£812,092.34
TOTAL	100.00	£36,100,980	£2,898,000.00	£11,305,688.00	£622,156.00	£3,784,939.00	£1,998,000.00	£6,260,000.00	£9,232,197.00

* Based on proportion of total sector water and wastewater revenue set at the [2019 price review Final Determinations](#) (shown rounded down to two decimal places for presentation purposes)